

FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

May 1, 2015

Mr. Brent J. Fields
Secretary
U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-FINRA-2015-008

Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of Trade Reporting Amendments Approved Pursuant to SR-FINRA-2013-050

Dear Mr. Fields,

The Financial Information Forum (FIF)¹ would like to take this opportunity to comment on the recent filing, SR-FINRA-2015-008, Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of Trade Reporting Amendments Approved Pursuant to SR-FINRA-2013-050 (“delay filing”). While FIF appreciates the delay from April 20, 2015 to July 13, 2015, it falls far short of the seven months from the availability of testing to implementation that FIF had requested. FIF communicated with FINRA in a series of emails during the December 2014 through February 2015 time period when FINRA was remediating the technical specifications (“specs”). The following request directed to FINRA on February 12, 2015 explains the need for seven months of testing.

“Based on the information available, FIF reviewed the implementation activities associated with SR-FINRA-2013-050. We respectfully request an implementation period extending seven months beyond the availability of the test environment. We believe this is an aggressive timeframe given the use of vendor products to perform this functionality and the associated implementation activities required including:

- Product QA of the trade reporting component (requires test environment)
- Integration of trade reporting component into vendor product and integration testing within test environment
- Initial deployment to customers within vendor test environment
 - User acceptance testing (Note: customers may be on different versions of vendor product. Given that this will be a mandatory upgrade, the level of effort to upgrade will vary.)

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

- Programming within customer environment to support adjacent and customized functionality, e.g., surveillance reports. The extent to which a customer has customized the vendor product will be a factor in the level of effort.
- Integration testing within customer environment and test environment
- Education/training for workstation users
- Actual deployment in production

Prior to the availability of the test environment, we would expect all relevant specifications and file formats to be available. Additionally, we expect that the defect in the current specifications associated with reporting control numbers on reversals will also be addressed.”

Additionally, FIF requested that firms be allowed to migrate in phases rather than big bang, much like the ATS MPID Amendments and the TRF move to millisecond implementation.

FINRA Response to FIF Delay Request

As noted in the e-mail above, FIF’s recommendation for a revised implementation date was directly tied to the availability of the test environment, suggesting that seven months would provide a tight, but achievable timeframe for recoding to accommodate spec changes and a full testing cycle.² On March 18, 2015, FINRA announced a new implementation date of July 13, 2015. This provided firms with less than four months to complete all of the activities outlined above.

FINRA stated in its recent delay filing that the July 13, 2015 implementation date "will provide firms ample time to implement and test the changes". Many FIF members strongly disagree.

SR-FINRA-2013-050 was initially approved on February 27, 2014. The first technical specifications became available for FINRA/NYSE TRF on December 17, 2014, and FINRA/NASDAQ TRF on December 23, 2014; however, errors in the specs were discovered on January 5, 2015. Revised specs were published March 18, 2015, along with an announcement regarding the availability of testing facilities.

FIF believes that FINRA’s delay in producing specs and a test environment have been a significant factor in the need to postpone the effective date. Final specs and a test environment were made available approximately six months subsequent to the original planned implementation date.³ Now in what appears to be a rush to implement the remaining TRF changes, market participants are left with less than four months for software changes, complete testing and full deployment. Even now as FIF members struggle to meet the implementation date, new apparent errors in the technical specifications are being discovered through testing; in addition, unpublished changes in functionality continue to make meeting the effective date extremely challenging and unnecessarily risky.⁴ While FIF members agree that trade reporting is of

² The delay requested in the February 12, 2015 email was longer than that requested in FIF’s original comment letter to Elizabeth Murphy dated December 20, 2013 which requested a period of seven months from the time final specifications were published, including three months for testing. The original timetable was suggested approximately one year before the first iteration of the technical specifications were released by FINRA. Upon review of the initial specifications, and subsequent to the migration of non-NMS reporting to the ORF platform, FIF members determined that significantly more testing would be required than originally estimated. Hence, from the time of the first release of the technical specs in December 2014, FIF consistently asked FINRA to discuss testing requirements.

³ The effective date set forth in FINRA’s original filing SR-FINRA-2013-050 was, as approved by the Commission in Release No. 34-71623, "no later than September 30, 2014."

⁴ The current version of the technical specifications for new requirements (Version 2015-01-Draft) states that for Tag 9862, the ContraTradePA “Trades will default to Agent if no ContraTradePA is set on the trade report.” When testing on Friday, April 24, 2015, one FIF member accepted a trade without specifying the capacity – the report was rejected

critical importance in maintaining transparent markets, FIF members also believe that the inherent risk of inadequate testing outweighs whatever benefit might be derived from an earlier effective date.

Testing Considerations

FIF membership includes service bureaus and third party providers whose facilities are utilized by many firms. It is imperative that the service providers have ample opportunity to make code changes, fully test, and provide their modified specifications and software to customers who must in turn make additional code changes and test. It is also important that the timeline consider availability of appropriate test facilities; that is, provide a stable test environment that will support end-to-end testing. End-to-end testing with multiple firms is a critical component of a successful roll-out for service providers, and requires careful coordination not easily accomplished in a few weekend sessions.⁵

Furthermore, the testing schedule makes no provision for use of the ORF test facility. Now that the TRF and ORF environments are split, firms must apply logic in their processing to determine the facility to which the report must be directed. To ensure this bifurcated process is properly tested, both facilities must be coordinated for testing.

Also, testing should be free of charge from the time a test site is available until the implementation date, given that this is a mandated regulatory change. Just as testing fees were waived for the ORF migration⁶, the same should be true with these changes. The levying of testing fees for mandatory changes may impact the amount of testing industry participants are willing to engage in. Fees should be waived so that testing is not unnecessarily restricted. While it is a truism that all software has bugs; rigorous, unrestricted testing that is conducted over an adequate time period will result in a better final product that is less likely to have critical defects.

Additional Requests

On May 1, 2015, FIF members noticed an update to Equity Technical Update #2015-1⁷ posted by Nasdaq with a link to spec changes for the ACT file uploader. FIF is also interested in receiving updated specs for other applications such as the Equity Trade Journal which will be impacted by TRF changes.

FIF members suggest that implementation dates in rule filings should generally be set using publication of final specifications and availability of test facilities as the trigger. We prefer not to have to request relief on many of these initiatives, as it is disruptive to all. Our preference is to have logistical considerations and realistic implementation timelines built into proposals and rule filings such that regulatory goals can be achieved without delays. Going forward, we wish to work with FINRA on firm dates based on the release of final specifications and the availability of test environments in order to reduce the need for implementation delays.

by the TRF and informed that contrary to the specs, Tag 9862 is required on all accept messages, and the specs are being updated to reflect the new changes. Furthermore, ETU 2015-3 was distributed which implied that the specs have not been finalized.

⁵ The Nasdaq Test Facility (NTF) became available on Wednesday, April 1, 2015 for testing by market participants, and street-wide testing is set for one Saturday in May, one Saturday in June and one Saturday in July prior to compliance date.

⁶ <https://www.finra.org/industry/orf/otc-reporting-facility-orf-industry-testing>

⁷ <http://www.nasdaqtrader.com/TraderNews.aspx?id=ETU2015-1>

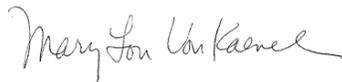
Summary of FIF Recommendations

In summary, FIF requests the following considerations with respect to implementation of final changes stipulated in SR-FINRA-2015-008 and future rulemaking:

- Extend the delay to seven months of testing with an implementation date of November 1, 2015
 - With the start of testing in April, all of the activities originally outlined need to be completed
 - Testing opportunities with ORF is also necessary
 - Testing should be free during this period given that this is a mandated regulatory change
- Allow for phase-in for those that are ready on July 13, or wish to roll-out changes gradually and with less risk
- Consider specification and testing dates in setting implementation dates in future rulemaking
 - FIF believes there is an opportunity to avoid future delayed implementation dates by including specification and testing dates as part of rule filings. Implementation timeframes are driven by both specifications and the availability of test environments.

We thank you again for the opportunity to provide comment and discuss our members' implementation challenges.

Regards,



Mary Lou Von Kaenel
Managing Director
Financial Information Forum